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BBC NEWS

BUSINESS

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France criticises China's anti-dumping probe into EU wine

The French government has labelled a Chinese anti-dumping probe into wine imported from the European Union (EU) "inappropriate and reprehensible".

China launched the investigation a day after the EU imposed anti-dumping levies on Chinese solar panel imports.

Dumping refers to firms selling goods below their fair value, which the EU alleges China's solar panel makers have done, undermining local manufacturers.

China said it "resolutely opposes" the "unfair" levies by the EU.

Divide and rule

A French government spokesperson condemned the Chinese move and called for a meeting of all EU member states to show their solidarity on trade issues.

Germany's Economics Minister Philipp Roesler called for a negotiated solution.

~~"The EU must always negotiate and I think there's still the chance to quickly sit at the table and agree on a fair framework and definitely avoid a trade war that would affect many more areas than the photovoltaic sector," he told German television.~~

Raoul Ruparel, a European economy analyst at the Open Europe think tank, said: "There's an interesting question to be asked over why China chose this particular market for its investigation.

"China has a history of divide and rule within the EU and it has chosen a market which is focused in France and the Mediterranean - rather than Germany. This coincidentally mirrors the dividing lines which seem to be falling into place surrounding the EU's tariffs on solar panels."

Last year China was the third-biggest export market for French wines and spirits, worth 1bn euros (\$1.3bn; £852m), the French winemakers' federation FEVS says.

China imported 430m litres of wine last year, more than two-thirds of it from the EU, according to Chinese customs data. Imports from France alone came to 170m litres, so France accounted for more than half of the EU exports.

~~Open Europe estimates that since the EU introduced reforms to the wine sector in 2008 about 2.8bn euros has been spent in EU subsidies for wine growers. Some 42% of that went on restructuring and converting vineyards, including "grubbing up" - that is, paying growers to cut the size of their vineyards because of an oversupply of wine in the market.~~

~~In a statement, Shen Danyang, a spokesman for China's commerce ministry, said: "The Chinese government and industry have shown great sincerity and made enormous efforts in resolving the issue via dialogues and consultations.~~

"We hope the European side will show further sincerity and flexibility and find a solution that is acceptable to both sides via

consultations."

The commerce ministry gave no immediate details about the scope or timeline of its EU wine investigation.

Ongoing dispute

China is the world's largest producer of solar panels and exported 21bn euros (\$27bn; £18bn) worth of panels to the EU in 2011.

However, its success has been marred by allegations that it unfairly undercut local manufacturers.

On Tuesday, EU Trade Commissioner Karel De Gucht said the price at which the Chinese panels were sold in Europe should be 88% higher than current charges.

As a result, the European Commission unveiled anti-dumping duties on Chinese solar panel imports.

~~However, they were lower than originally proposed - initially averaging 11.8% - and will be phased in gradually.~~

Last month, the Chinese government warned the EU that it would "take necessary steps" to defend its national interests, if any duties were levied against its goods.

Observers suggested that Beijing's latest move was a direct consequence of the EU decision.

"This might represent retaliation to what happened yesterday," Davide Cucino, president of the European Union Chamber of Commerce in Beijing, told the BBC.

"There is no interest for both actors to play the protectionism card, and frankly speaking retaliation represents a missed opportunity for China to provide the necessary evidence... in order to carry out a resolution to the photovoltaic case."

However, Mr Cucino added that the decision by the EU to impose only a portion of the duties "leaves space for a negotiation that might bring good results within a couple of months, with no effects to the two parties".

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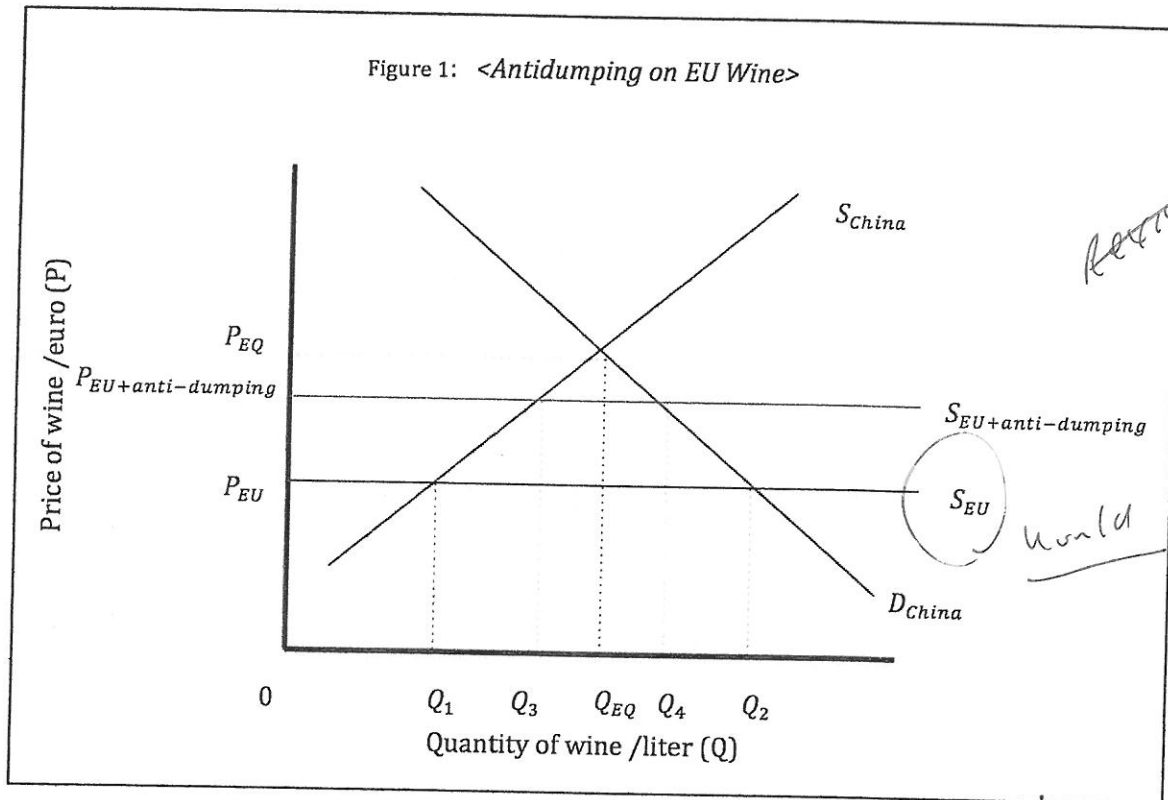


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France criticizes China's anti-dumping probe into EU wine

France is criticizing China for imposing anti-dumping policy on EU wine as a form of retaliation. Anti dumping is a type of protectionism that protects domestic producers from unfair international trade by reducing the quantity of goods imported to that country. The government reduces import by tariff or quotas. In this case China imposed anti-dumping tariff on European Nation wine.

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clearly



Retaliatory choice

Figure 1 shows how china has imposed anti-dumping tariff against EU wine industry. According to the article, China has previously imported 430m liter of wine from the EU, which is represented by Q_1 to Q_2 from the graph above. 170m liters out of 430m liters of wine were from France, making china the third-biggest export market for French wine industry. France accounted for more than half of the EU exports. By imposing anti dumping policy the price level has increased from P_{EU} to $P_{EU+antidumping}$, and quantity of imports has reduced from $Q_1 \sim Q_2$ to $Q_3 \sim Q_4$.

According to the article, "China has a history of divide and rule within the EU and it has chosen a market which is focused in France and the Mediterranean." China levied specifically the wine industry from the EU since France accounted more than half of the EU exports. France is one of the countries that supported the act of imposing tariffs on Chinese solar panels. Although China is imposing tariff on EU as a whole, France suffers the most from China's action.

"Observers suggested that Beijing's latest move was a direct consequence of the EU decision." France believes such antidumping policy by china is a form of retaliation. Retaliation is an act of increasing the trade barrier in response to other

avoid repeating article.

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nation's increasing their trade barrier¹. Retaliation has a risk of causing trade war. According to the article, China is the largest producer of solar panels. However as the EU accused China for dumping its solar panel, they've imposed anti-dumping policy against Chinese solar panels. Dumping is the selling of goods to another country at a price below the original domestic production costs.² Chinese solar panels that were sold in Europe should be 88% higher than current charges. As a result the European nation unveiled anti-dumping duties on Chinese solar panel imports.

Repeats article.

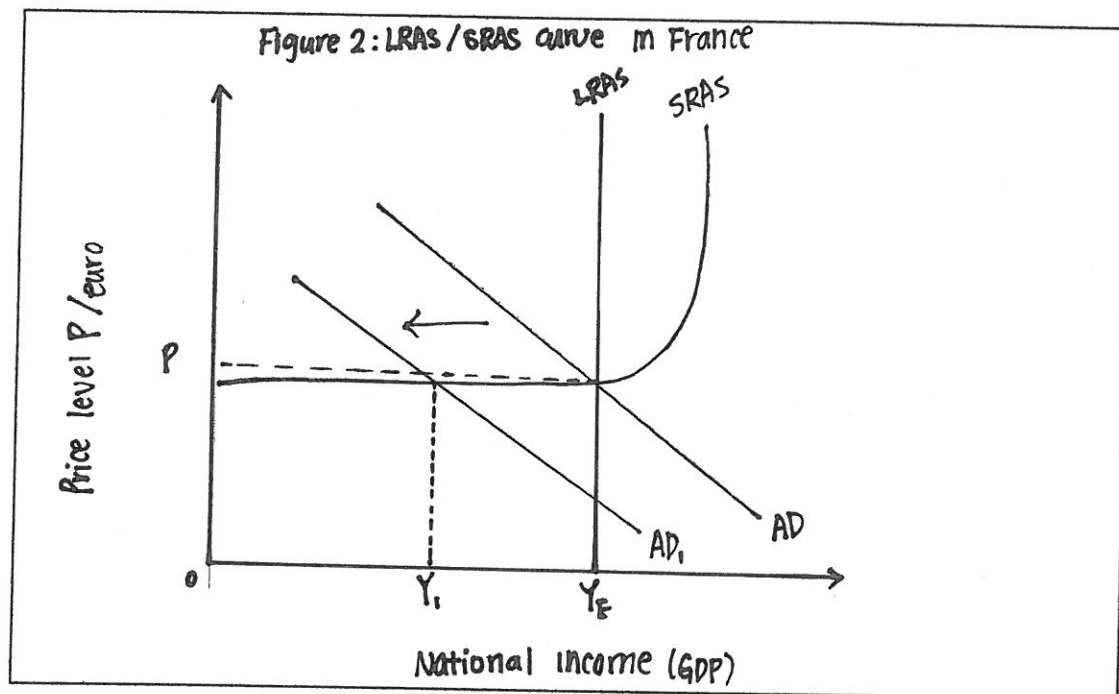


Figure 2 shows how Chinese retaliation could affect French economy. Aggregate Demand (AD) is the total demand for goods and services. AD determinants are consumption, government spending, investment and net export rate. Since China was the third biggest export market for French wine industry, worth 1bn euros, decrease in export may result AD to shift from AD to AD_1 . Depending on where AD is at, it may or may not affect the unemployment rate and inflation rate.

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Arguments against protectionism are misallocation of resources and escalation of tension between nations. Since France account for more than half of the EU wine export it is possible that France has comparative advantage on wine production compared to other EU countries. Therefore, by importing France wine our scarce resources are allocated efficiently. However with the protectionism of putting antidumping policy on EU wine without solid proof of dumping, China may be misallocating the resources in a global scale. In other words the less efficient

or is subsidized

¹ "Retaliation." *Dictionary Central*. N.p., n.d. Web. 20 Jan. 2014.

² Maley, Sean, and Jason Welker. *Economics: Developed Specifically for the IB Diploma*. Oxford: Pearson

² Maley, Sean, and Jason Welker. *Economics: Developed Specifically for the IB Diploma*. Oxford: Pearson Education, 2011. Print.

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producers (China) are producing more than they should, while the efficient producer (EU) are producing less than they should be producing. Also, the risk of anti-dumping policy is that it could lead to a conflict between nations, such as retaliation and trade war as mentioned in the article. Chinese government warned the EU that it would "take necessary steps" to defend its national interest, if duties were levied against its goods. Here, "take necessary steps" may be referring to 'retaliation' and possibly trade war. European Union believes China's act of imposing antidumping policy on EU wine is a direct cause of EU putting antidumping policy against Chinese solar panel.

With China's antidumping on EU wine, EU wine industry workers will lose their job and the unemployment will increase. Ceteris paribus. According to Germany's Economics minister Philipp Roesler possible solution for such retaliation is to negotiate and prevent further tension/possibly trade war between China and European union.

Word count: 716

avoid using quotes — avoid repeating article
use your words — meet demands of criteria.

Some attempt at analysis — more description
than analysis.

good attempt to use graphs

ok w/ def.

eval is evident : fully develops.

A	B	C	D	E
3	2	2	2	2

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